

Financing the Design and implementation of Nationally Determined Contributions (NDCs)

RG-T3283

Certification

I hereby certify that this operation was approved for financing under the **Sustainable Energy and Climate Change Multi-Donor Fund (MSC)**, through a communication dated May 9, 2019 and signed by Felipe Caicedo (ORP/GCM). Also, I certify that resources from said funds are available for up to **US\$1,000,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, representing a risk that will not be absorbed by the Fund.

Certified by:	Original Signed	6/19/2019
	Sonia M. Rivera	Date
	Chief	
	Grants and Co-Financing Management Unit	
	ORP/GCM	

Approved by:	Original Signed	6/21/2019
	Juan Pablo Bonilla	Date
	Manager	
	Climate Change and Sustainable Development Sector	
	CSD/CSD	

Technical Cooperation Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Financing the Design and implementation of Nationally Determined Contributions (NDCs)
▪ TC Number:	RG-T3283
▪ Team Leader/Members:	Raul Delgado(CSD/CCS) Team Leader; Federico Brusa (CSD/CCS); Sandra Lopez Tovar (CSD/CCS); Angelo Eduardo Angel Gomez (CSD/CCS); Pamela Ferro Cornejo (CSD/CCS); Barbara Brakarz (CSD/CCS); Jaime Fernandez-Baca (CSD/CCS); Gmelina Juliana Ramirez Ramirez, (CSD/CCS); Maria Tapia Bonilla (CSD/CCS); Hilen Gabriela Meirovich (INO/NFP); Juan Carlos Gomez, (CSD/CCS); Maurizio Colonna Urdaneta (CSD/CCS); Valentina Saavedra Gomez (CSD/CCS); Gloria Visconti (CSD/CCS); Cesar Andres Negret Garrido (LEG/SGO); Marcela Cristina Jaramillo Gil (CSD/CCS); Aloisio Lopes Pereira De Melo (CSD/CCS);, Jorge Omar Samayoa (CSD/CCS); Olga Lucia Bautista Martinez (CSD/CCS); Huascar Eguino (IFD/FMM); Luis Alejandro Alejos Marroquin (IFD/FMM)
▪ Taxonomy:	Research and Dissemination
▪ Date of TC Abstract authorization:	February 7, 2019
▪ Beneficiary:	Inter-American Development Bank borrowing member countries
▪ Executing Agency and contact name:	Inter-American Development Bank Raul Delgado (CSD/CCS)
▪ Donors providing funding:	Sustainable energy and Climate Change Multi-Donor Trust Fund (MSC)
▪ IDB funding requested:	USD\$ 1,000,000.00
▪ Local counterpart funding:	N/A
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Consulting Firms; and Non-consulting Services.
▪ Prepared by Unit:	Climate Change (CSD/CCS).
▪ Unit of Disbursement Responsibility:	Climate Change & Sustainable Development (CSD/CSD)
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation, and Climate change and environmental sustainability

II. Objective and Justification of the TC

- 2.1 Under Article 2 of the Paris Agreement (PA), Parties have committed to limit global temperature rise to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C, increase adaptive capacity and align financial flows to be consistent with these objectives. To achieve this, Parties have submitted Nationally Determined Contributions (NDCs) that include emission reduction commitments and climate resilience plans to progressively achieve the PA goals. In addition, the Conference of the Parties (COP), by its decision 1/CP 21, paragraph 35, invited Parties to communicate to the secretariat, by 2020, their mid-century, long-term low greenhouse gas emission development strategies in accordance with Article 4, paragraph 19, of the Agreement. The development of Long-Term Strategies (LTS) will facilitate to identify the pathways to transform countries' economies to respond to the objectives of the PA; such transformation needs to start immediately if we are to meet the Paris objective for keeping global temperature rise well below 2°C by the end of the century, which most estimate will mean achieving net zero greenhouse gas (GHG) emissions by 2050.

- 2.2 To date, 181 Parties have submitted their first NDCs, including all countries in LAC, and only 11 countries have communicated LTS (UNFCCC, 2019), including Mexico. However, taken together, current commitments are not sufficient to limit global temperature rise to 1.5° C. The Special Report of the Intergovernmental Panel on Climate Change (IPCC) confirms that significantly strengthened mitigation efforts are essential (Fransen et al., 2017).
- 2.3 Parties are expected to submit a new iteration of NDCs by 2020 - updates of NDCs for those Parties with a 2030 timeframe, and new NDCs for those with a 2025 timeframe. More importantly, under the “ambition mechanism” created in the PA, each iteration will be more ambitious than the previous. The early design of LTS and the design of NDCs as short-term plans for the achievement of those LTS represents an opportunity for ambition raising and efficiency in term of resources and planning. Ensuring that LTS and NDCs of countries in LAC by 2020 can respond to this challenge effectively it is a matter of most relevance to stabilize the climate and achieve sustainable development objectives.
- 2.4 Achieving this transformation requires a major shift in the way development is conceived, planned and financed. Investments required up to 2030 across cities, land use and energy systems to deliver the Sustainable Development Goals (SDGs), will have to be made low carbon if we are to avoid dangerous global temperature increases above 2°C¹. In addition, given that there are adverse effects of climate change that are inevitable, efforts to make development resilient to these risks are essential. Furthermore, the UNFCCC estimates that 80% of the capital needed to address climate change will come from the private sector — both businesses and consumers².
- 2.5 Shifting policy choices and aligning public finances to facilitate a rapid and smooth transition to low emission and climate resilient development, requires robust planning capacities and tools to inform priorities and understand where public resources can be more effectively directed, including to attract private capital at the scale required to tackle climate change. Developing financial strategies and investment plans for implementation of LTS and NDCs will facilitate the delivery of the objectives set by countries under the LTS and NDCs.
- 2.6 After the achievement of the PA on climate change, the Bank launched NDC Invest®, a one-stop shop to facilitate financial and non-financial resources of the Inter-American Development Bank to support their borrowing member countries in the implementation of the Agreement. NDC Invest® has four components, each with a particular focus of support for the countries: (i) NDC Programmer, supports governments on policy development and upstream planning that can facilitate robust definition of country’s climate targets and sustainable development approaches paired with an effective plan for delivery; (ii) NDC Pipeline Accelerator, provides support for the development of pipelines of projects aligned to climate goals, supporting prefeasibility and feasibility studies; (iii) NDC Market Booster, seeks to support development of new markets and business models, and the use of financial tools to support climate and sustainable development objectives; and (iv) NDC Finance Mobilizer, facilitates the mobilization of internal and external resources to support low carbon and climate resilient investments.
- 2.7 Since 2016, NDC Invest® has been delivering support related to activities under the *NDC Programmer* through the TC RG-T2713 “Financing Implementation of Intended Nationally Determined Contributions”³. Although, at first it took time for countries and all relevant actors to understand the implications of implementing their NDCs, the support delivered under this TC, to engage ministries of finance and planning, develop knowledge and tools for analysis to facilitate implementation of NDCs, has contributed to generate a gradual increase of demand to further support robust planning and delivery of NDCs, positioning the IDB as a key partner in the region. Furthermore, through the work under the mentioned TC, it was also learnt that gaps in the

¹ <http://newclimateeconomy.report/2016/>

² UNDP, Catalyzing Climate Finance, 2011.

³ Under this TC the following countries were supported: Argentina, Barbados, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Jamaica, Mexico, Nicaragua, Peru and Uruguay.

design of the first NDCs are hindering its implementation, including gaps in: NDC integration into national development planning processes and cross-sectorial ownership; lack of robust evidence-based decision making; gaps on development of project pipelines and financial instruments to guide investments for NDC implementation; and limited institutional capacity. Given that countries are now in the process of updating or defining new NDCs and LTS, it's very timely to offer support directed to address these identified gaps to enable implementation of climate targets and mobilization of resources at the scale required towards climate and sustainable development.

2.8 The objective of this TC is to provide knowledge and tools to countries in the region to close existing gaps related to the design of national climate goals and their effective delivery to match the final objectives of the PA. To achieve this, the TC has the following approach: First, it will work to strengthen the Bank's agenda with ministries of finance and planning, given their critical role in guiding cross-sectoral investments and enabling the conditions for private investments, including: to identify and evaluate public expenditure in line with the Paris Agreement, and to develop financial strategies to define and mobilize the financial resources and policies necessary for a low carbon and climate resilient development path. Second, it will deliver targeted support to bottleneck areas for NDC design and operationalization, including robust analysis to inform new NDC targets and long term decarbonization plans; and development of investments plans to deliver on those objectives. Finally, it will develop a new tool to integrate climate considerations into public expenditures and carry out assessments to inform best international practices to advance the implementation of climate objectives in the region. The support will be provided in a demand driven fashion to countries that have indicated request for support under one of these three areas of work. Preference will be given to those countries that have initiated a process under the RG-T2713 and will need further support to advance other areas of implementation or complete ongoing efforts.

2.9 This TC will collaborate with other on-going projects at the IDB such as "Climate Risk: Identification, Management and Opportunities" (ATN/MC-15636-RG), "Climate Change and Civil Society" (ATN/OC-15989-RG), the NDC Pipeline Accelerator Multi-Donor Trust Fund and the UK Sustainable Infrastructure Program. The operation is consistent with the Update of the Institutional Strategy (UIS) 2010-2020 (AB-3008)-(GN 2788-5) and is aligned with the development challenge of productivity and innovation as it intends to foster low carbon and resilient investment that can contribute to expanding new clean and more efficient technologies and processes. The operation is also aligned with the cross-cutting theme of climate change and environmental sustainability as it provides support to countries in the region to reduce their GHG emissions, boost their resilience and improve their capacity to adapt to a changing climate. This Project is aligned with the MSC objectives as specified in GN-2435-6, in particular with the area of development and implementation of country level assessments, policy framework analysis and assistance for policy reforms required for investments in renewable energy, and energy efficiency. Additionally, the operation will contribute towards the Ninth General Capital Increase (GCI-9) 30% lending target under the Bahamas Declaration as it enables different mechanisms for climate change mainstreaming. Likewise, the proposed TC is aligned with the IDB's Integrated Strategy for Climate Change Adaptation and Mitigation and Sustainable Renewable Energy (GN-2609-1) and its Action Plan (GN-2609-3).

III. Description of Activities/Components and Budget

3.1 Component I: NDC technical expertise to align public finance and NDCs (US\$ 300,000).

The result pursued in this component is a planning and institutional capacity of public institutions strengthened, particularly planning and finance ministries, to facilitate the integration of climate and sustainable development considerations into public finances approaches and processes, include public budgeting and investments. The activities to be developed are twofold:

- a. Develop pilots with governments in the region to identify and evaluate public expenditure considering climate objectives applying a methodology developed in a joint effort of CCS and FMM.

- b. Develop analysis to define public financial strategies to guide governments on the implementation of their NDCs and LTS. This work will include analysis to translate climate targets into the specific activities and investment priorities required; assessments of investments levels required and capacity of local financial markets to support NDCs and LTS; analysis of policy and regulatory approaches as well as financial instruments that can help mobilize resources aligned to the NDC targets.

3.2 Component II: Robust design and operationalization of NDCs (US\$ 600,000). The results to be obtained under this component are closing the existing gaps on NDC and LTS design, particularly to enable evidence-based goals that are integrated into national development policies and define consultation with key stakeholders, as well as developing investments plans to close gaps on development of project pipelines and financial instruments for implementation. Activities under this component will focus on:

- a. Development of new or updated NDCs targets and of long-term strategies for decarbonization. This includes activities such as: NDC progress assessment and lessons learnt, development of long term economywide decarbonization scenarios and road map with short, medium and long-term milestones, identification of goals, targets, indicators and timeframes for new NDCs, stakeholders' engagements plan and capacity building activities.
- b. Development of investments plans for implementation of NDCs and long-term strategies for decarbonization. This will include analysis on identification of investments portfolio required, estimation on investments required and availability, analysis of investment gaps and opportunities, identification of financial instruments and technical characterization of projects, definition of a road map and tools for mobilization of national and international public and private sector resources to support NDC implementation.

3.3 Component III: Advancing new solutions to support implementation of climate objectives in LAC (US\$ 100,000). The proposed result under this component is the identification of opportunities and best practices that can be applied in LAC to effectively and efficiently implement climate commitments. To achieve this, the following activities will be conducted:

- a. Workshops to socialize and finalize the design of a new IDB methodology to enables the identification and evaluation public expenditure considering climate change objectives.
- b. Assessments to identify best practices, approaches and tools for public policy instruments design and execution, that can enable the implementation of countries climate objectives.

Indicative Budget

Component	IDB Funding	Counterpart Funding	Total Funding
1. NDC technical expertise to align public finance and NDCs.	\$ 300,000.00	0	\$ 300,000.00
2. Robust design and operationalization of NDCs.	\$ 600,000.00	0	\$ 600,000.00
3. Advancing new solutions to support implementation of climate objectives in LAC.	\$ 100,000.00	0	\$ 100,000.00
Total	\$ 1,000,000.00	0	\$ 1,000,000.00

IV. Executing Agency and Execution Structure

- 4.1 Per Appendix 10 of the Operational Guidelines for Technical Cooperation Products (GN-2629-1), the Bank will act as the executing agency given the regional nature of the TC and based on its technical and operational capacity. The IDB will implement the operation through its Climate Change Division (CSD/CCS), which will take responsibility for its supervision,

disbursements and procurement. Additionally, CCS will coordinate with other IDBG departments and liaise with other key initiatives and stakeholders involved in designing, implementing and financing NDCs to ensure synergies and avoid overlap. The team leader will be responsible for execution of the TC and will be supported by CCS specialist in the countries and specialist in other divisions, which have been included as team members in this TC.

- 4.2 The Bank will centralize the coordination of activities when clients request support in the design and implementation of their NDCs. Furthermore, this proposed TC builds upon experiences and lessons learned from the ongoing TC RG-T2713 "Financing Implementation of Intended Nationally Determined Contributions". The execution by the Bank will ensure a natural continuation of current activities implemented under RG-T2713 and the harmonization of interventions in the assisted countries.
- 4.3 The activities to be executed are included in the Procurement Plan (see Annex IV) and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-1 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-20 for logistics and other related services.
- 4.4 Prior to initiating the implementation of the activities of the TC in each country, the corresponding no-objection will be obtained from the liaison entity with the Bank in each country.

V. Project Risks and Issues

- 5.1 There might be some resistance to move forward with the implementation phase of NDCs, particularly with a strong role for ministries of finance, given that some NDCs in LAC may have not been prepared with their support and that addressing climate change remains perceived as an agenda of ministries of environment. To overcome this, the TC will build upon engagement already advanced with ministries of finance across the region through the TC RG-T2713. Furthermore, component 1 will provide the basis and tools to facilitate engagement with ministries of finance with a tailored focus to support relevant areas under the operation of this ministry in achieving their objectives whilst supporting the implementation of the NDCs; components 2 and 3 will capture knowledge and identify solutions, best practices and opportunities to facilitate further engagement in a more systematic way.

VI. Exceptions to Bank policy

- 6.1 No exceptions to Bank policies are envisioned for this TC.

VII. Environmental and Social Strategy

- 7.1 Given the nature of the project, there are no associated environmental or social risks. According to the Environment and Safeguards Compliance Policy of the Bank (OP-703), the operation has been classified as category "C", meaning that no environmental assessment studies or consultations are required for this category (see [Safeguard Policy Filter](#) and [Safeguard Screening Form](#)).

Required Annexes

Annex I: [Results Matrix](#)

Annex II: [Terms of Reference](#)

Annex III: [Procurement Plan](#)